

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 EA-07 NEA-10 IO-13 ISO-00 SS-15

CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00

L-03 FRB-03 OMB-01 ITC-01 SP-02 AGR-05 AID-05 COME-00

INR-07 LAB-04 OIC-02 SIL-01 STR-04 TRSE-00 CIEP-01

CEA-01 PM-04 H-02 NSC-05 PA-01 PRS-01 /124 W

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O R 071533Z AUG 76

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC IMMEDIATE 4284 4285

INFO AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COLOMBO

USMISSION GENEVA

AMEMBASSY LIMA

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY OTTAWA

AMEMBASSY ROME

AMEMBASSY THE HAGUE

C O N F I D E N T I A L SECTION 1 OF 2 CARACAS 9589

FOR ROGERS (E) GREENWALD (EB) AND IO FROM LEWIS AND FRANK

DEPT PASS ALL CIEC POSTS

EO 11652 GDS

TAGS: EFIN ENRS PFOR CIEC PORG VE

SUBJ: CONULTATIONS ON NORTH-SOUTH ISSUES (CIEC, UNCTAD,
IRB) WITH PEREZ- GUERRERO IN CARACAS

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REF: OTTAWA 3133, CARACAS 9237, STATE 4029(ALL NOTAL)

SUMMARY ASSISTANT SECRETARY LEWIS, ACCOMPANIED BY AMBASSADOR VAKY, CHARLES FRANK (E), AND EMBOFF HELD WIDE-RANGING DISCUSSION AUG 5 WITH DR MANUAL PEREZ-GUERRERO(P-G), VENEZUELAN MINISTER OF STATE FOR INT'L ECONOMIC AFFAIRS AND CO-CHAIRMAN OF CIEC AND LATER HELD MEETING ON UNCTAD AND IRB WITH P G STAFF AND REPRESENTATIVES FROM INSTITUTE OF INTERNATIONAL TRADE (ICE). ALTHOUGH HOLDING SPECTRE OF CONFRONTATION BEFORE US SHOULD CIEC FAIL, TENOR OF P G'S REMARKS WAS SURPRISELY UPBEAT GIVEN HIS RECENT PUBLIC AND PRIVATE REMARKS CONCERNING CIEC IMPASSE. HE STRESSED THE NEED FOR A "SIGNAL" FROM THE G-8 THAT WE ARE WILLING TO MAKE CONCRETE PROGRESS ON CIEC ISSUES. HE AVERRED, MOREOVER, THAT G-8 WILLINGNESS TO CONSIDER DEBT ISSUE IN BOTH DEVELOPMENT AND FINANCIAL COMMISSIONS OF CIEC MIGHT REPRESENT A FORWARD STEP IN US POLICY WHICH G-19 HAD TENDED TO DISCOUNT AT THE PARIS MEETINGS. HE DOWNPLAYED DIFFICULTIES WITH PURCHASING POWER PROBLEM (PPP), SAYING THAT A "CHAPEAU" COULD SURELY BE WORKED OUT FOR THIS ISSUE. HE SAID COLOMBO NAC MEETING WOULD OF COURSE CONSIDER CIEC IN SOME FORM, BUT THAT DUST WOULD HAVE TO SETTLE FIRST AND THAT IT WAS UNLIKELY NAC WOULD PRODUCE SPECIFIC DECISIONS FOR NEXT ROUND IN CIEC. BOTH SIDES ALSO EXCHANGED TECHNICAL VIEWS AT LENGTH ON COMMON FUND AND INTERNATIONAL RESOURCES BANK (IRB), ABOUT WHICH VENEZUELAN SHOWED SURPRISING DEGREE OF INTEREST.

END SUMMARY.

1. THE DEBT ISSUE. P G WAS EVIDENTLY IMPRESSED WITH US CONTENTION THAT WE INTENDED TO ACHIEVE CONCRETE RESULTS IN CIEC IN ACTION-ORIENTED STAGE. WE STRESSED, HOWEVER, OUR UNWILLINGNESS TO PREJUDICE RESULTS THRU BIASED WORDING OF AGENDA. P G EMPHASIZED NEED TO CUT THE GORDIAN KNOT ON THE CIEC DEBT ISSUE. HE SAID THAT G-8 WILLINGNESS TO TREAT DEBT IN BOTH DEVELOPMENT AND FINANCE COMMISSIONS MIGHT REPRESENT A FORWARD STEP, BUT IN PARIS WHEN G-19 TESTED G-8 "POLITICAL WILL" ON THIS ISSUE, THERE SEEMED TO BE A "FALLING BACK IN OUR POSITION." THERE HAD PERHAPS BEEN MISUNDERSTANDING ON BOTH SIDES ABOUT THE OTHERS'S INTENTIONS RE DEBT, STARTING WITH G-77'S STRESS ON MORATORIUM

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WHICH WAS ACCENTED IN MANILA DECLARATION AND AT UNCTAD. HE ADMITTED THIS MAY HAVE FRIGHTENED CREDITOR COUNTRIES AND EVENTUALLY LED TO JULY IMPASSE AT CIEC SENIOR OFFICIALS' MEETINGS. P G STRESSED THAT GENERAL DEBT MORATORIUM WAS OUT OF THE QUESTION AS A SOLUTION. HE FELT THAT GUIDELINES TO TREAT SIMILAR CASES SIMILARLY IN ACUTE DEBT RESCHEDULING CASES PLUS SOME MORATORIUM ON ODA FOR SELECTED POOREST OR MOST SEVERELY AFFECTED LDCS ON CASE BY CASE

BASIS WOULD DO THE TRICK. HE STRESSED THAT VENEZUELA AND OTHER G-19 MEMBERS OF CIEC, PARTICULARLY BRAZIL AND MEXICO, WERE VERY CAUTIOUS THEMSELVES ON THIS ISSUE BECAUSE OF THEIR DESIRE TO MAINTAIN CAPITAL MARKET ACCESS. HE SAID THAT IF WE COULD JUST BE "THE TINIEST BIT" FORTHCOMING, WE WOULD VERY QUICKLY GAIN MUCH G-19 SUPPORT FOR A CONSTRUCTIVE APPROACH TO DEBT PROBLEM

2. CIEC PPP ON PURCHASING POWER PARITY(PPP) ISSUE, P G COMMENTED THAT, OF COURSE, US INSISTENCE ON A "NEUTRALLY-WORDED AGENDA" COULD CUT BOTH WAYS, AND G-19 INTERPRETED "NEUTRAL" TO IMPLY NO COMMITMENT TOWARD FORWARD MOVEMENT TO PROTECT LDC INTERESTS ON THIS ISSUE. "WE WANT TO PROTECT PURCHASING POWER, BUT NOT PREJUDICE OUTCOME," HE NOTED. HE THEN SPECULATED THAT HE THINKS IT POSSIBLE TO WORK OUT A "CHAPPEAU" WHICH WOULD INCLUDE LANGUAGE ACCEPTABLE TO ALL G-19 COUNTRIES BUT WHICH WOULD ALSO LEAD TO FINAL COMPROMISE ON THIS ISSUE.

3. OTHER ELEMENTS OF CIEC. P G SAID THAT WHILE G-19 WAS NOT ABOUT TO MAKE "CONCESSIONS", SINCE SUCH WOULD IMPLY THEY WOULD BE DEALING FROM INHERENT POSITION OF INFERIORITY, G-19, COHESIVE AS EVER, IS INDEED PREPARED TO MAKE "CONTRIBUTIONS" TO A CIEC "GLOBAL DEAL", ONE WHICH WOULD ABVIOUSLY INVOLVE COSTS AND BENEFITS TO BOTH SIDES. IN ADDITION TO PPP AND DEBT, P G'S CHECK LIST OF OTHER ESSENTIAL INGREDIENTS FOR SUCH A DEAL INCLUDES A) COOPERATION IN THE ENERGY FIELD ON DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES AND ON NEW ENERGY SUPPLIES. (THIS ITEM IS, OF COURSE, HE SAID, VITAL TO OIL-IMPORTING LDCS); B) MOVEMENT ON COMMODITY ISSUES FOLLOWING ON UNCTAD IV C) TRANSFER OF TECHNOLOGY AND REAL RESOURCES D) INDUSTRIALIZATION AND AGRICULTURE. (THE LEAST CONTROVERSIAL AGENDA ITEM) E FINANCE(THIS ITEM, CONFIDENTIAL

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HE SAID , NECESSARILY INCLUDES ALL THE OTHERS SINCE MONETARY ISSUES ARE DIRECTLY INVOLVED IN THE TOTALITY OF THE CIEC ENDEAVOR).

NOTE BY OC/T: NOT PASSED CIEC POSTS.

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CEA-01 PM-04 H-02 NSC-05 PA-01 PRS-01 SS-15 /124 W

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O R 071533Z AUG 76

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 4285

INFO AMEMBASSY BONN

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AMEMBASSY THE HAGUE

C O N F I D E N T I A L SECTION 2 OF 2 CARACAS 9589

4. CIEC AND ROLE OF USG PRINCIPALS. P G WENT OUT OF WAY TO ACKNOWLEDGE ROLE AND PERSONAL COMMITMENT OF SECRETARY KISSINGER WHICH HE CONSIDERED CRUCIAL TO CIEC. HE ADVANCED VIEW THAT USG HAS MADE SUBSTANTIAL PROGRESS TOWARD ACCOMODATING THIRD WORLD VIEWS DURING LAST TWO YEARS. THIS PROGRESS IS DUE IN LARGE MEASURE TO SECRETARY'S INCREASED PERSONAL INTEREST AND INVOLVEMENT IN REACHING SUCH AN OUTCOME. HE CONCLUDED ON THIS POINT BY NOTING THAT GIVEN CONFIDENTIAL

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FAVORABLE SIGN OF US POLITICAL WILL ON DEBT ISSUE AND WILLINGNESS TO MAKE SOME PROGRESS ON OTHER ISSUE, CIEC CAN INDEED OVERCOME PRESENT IMPASSE AND REACH SUCCESSFUL CONCLUSIONS BY TIME OF DECEMBER MINISTERIAL. HE ALSO SAID THAT CIEC CANNOT WAIT FOR OUTCOME OF US ELECTIONS AND

EXPRESSED HOPE THAT USG WILL CONTINUE ITS COMMITMENT TO DEAL EQUITABLE WITH THIRD WORLD, NO MATTER WHICH PARTY MAY BE IN POWER IN WASHINGTON. HE ALSO ADDED, HOWEVER, THAT WITHOUT MORE EVIDENCE OF FORTHCOMING ATTITUDE ON PART OF INDUSTRIALIZED COUNTRIES, HIS CREDITBILTY WITH G 19 AND G-77 WOULD SOON BE DESTROYED.

5. P G AND COLOMBO NAC. P G SAID HE WILL REPRESENT VENEZUELA AS AN OBSERVER AT THE NAC, BUT, OF COURSE, WULD ALSO BE WEARING HIS SECOND CIEC HAT. EVENT THOUGH KEY G19 COUNTRIES WILL BE REPRESENTED AT COLOMBO, HOWEVER, HE DID NOT EXPECT THEM TO REACH CONCRETE AGREEMENT ON NEXT STEPS TO BE TAKEN BY CIEC. " WE HAVE TO WAIT FOR DUST TO SETTLE," HE SAID.

6. COMMON FUND AND IRB. IN FOLLOW-ON DISCUSSION WITH MEMBERS OF P G STAFF AND REPRESENTATIVE FROM VENEZUELAN INT'L TRADE INSTITUTE (ICE) WE ALSO DISCUSSED USG IDEAS ON IRB AND PROBLEMS AND ISSUES RAISED BY COMMON FUND. ESSENCE OF VENEZUELAN CONCERN OVER COMMODITIES REVOLVES AROUND INSUFFICIENT TRANSFER OF RESOURCES IN MANY COMMODITIES DUE TO BOTH OLIGOPOLISTIC/MONOPOLISTIC CONSUMER MECHANISMS CONTORLLED BY PRIVATE SECTOR AS WELL AS " INADEQUATE PRICES". WHILE NOT ATTEMPTING DEFINE A "JUST PRICE", THEY SAID COMMON FUND MECHANISM SHOULD ESTABLISH MORE EQUITABLE PRICE RELATIONSHIPS IN AT LEAST CORE GROUP OF COMMODITIES, IF NOT IN ALL 18 KEY GROUPS. THEY LOOKED FORWARD TO RECEIVING USG QUESTIONS AND ANSWERS ON IRD PROPOSAL ON WHICH THEY MAINTAINED THEY HAVE OPEN MIND. THEY EXPRESSED APPRECIATION ON HEARING THAT IRB IS NOT ALTERNITVIE TO COMMOND FUND, BUT RATHER SUPPLEMENT TO IT, PARTICULARLY FOR MAKING AVAILABLE CAPITAL, MANAGEMENT, AND TECHNOLOGY IN RAW MATERIALS PROJECTS IN LDCS. THEY SAID BRIEF US PRESENTATION AT NAIROBI ON IRB WAS NOT CLEAR ENOUGH AND LED TO CONSIDERABLE MISUNDERSTANDING BOTH SIDES AGREED TO CONTINUE TO EXCHANGE VIEWS, PARTICULARLY WITH REFERENCE TO INFORMATION ABOUT SPECIFIC MARKETS AND THE CONFIDENTIAL

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FINANCING MECHANISMS OF IRB. VENEZUELANAS WERE ALSO RECEPTIVE TO IDEAS FOR CHANGING THE G-77'S/COMMON FUND PROPOSAL, WHICH THEY ADMITTED HAD SOME PROBLEMS. VAKY

NOTE BY OC/T: NOT PASSED CIEC POSTS.

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